

GOVERNMENT OF INDIA
TARIFF COMMISSION



REPORT
ON THE
CONTINUANCE OF PROTECTION
TO THE
ZIP FASTENER INDUSTRY
BOMBAY,
1954

PERSONNEL OF THE COMMISSION

SHRI M. D. BHAT	<i>Chairman.</i>
SHRI B. N. ADARKAR, M.A. (CANTAB) . . .	<i>Member.</i>
SHRI B. N. DAS GUPTA, B.A., A.S.A.A. (LON- DON), F.C.A.	<i>Member.</i>
SHRI C. RAMASUBBAN	<i>Member.</i>
DR. D. K. MALHOTRA, M.A., PH.D. . . .	<i>Secretary.</i>

Personnel of the Panel which heard the case

SHRI B. N. ADARKAR	<i>Member.</i>
SHRI B. N. DAS GUPTA	<i>Member.</i>
SHRI C. RAMASUBBAN	<i>Member.</i>



सत्यमेव जयते

MINISTRY OF COMMERCE & INDUSTRY

RESOLUTION

TARIFFS

New Delhi, the 1st December 1954

No. 63(1)-T.B./54.—The Tariff Commission has submitted its report on the continuance of protection to the Zip Fastener Industry, on the basis of an inquiry conducted by it under sections 11(e) and 13 of the Tariff Commission Act, 1951. Its recommendations are as follows:—

- (1) Protection to this industry should not be continued beyond 31st December, 1954, but the position may be reviewed, upon application by the industry, when production of zip fasteners is established on a more satisfactory basis.
- (2) The manufacturers should take immediate steps to mark their products as "Made in India".
2. Government accept recommendation (1) and will undertake necessary legislation to implement it.
3. The attention of the industry is drawn to recommendation (2).



ORDER

Ordered that a copy of the Resolution be communicated to all concerned and it be published in the *Gazette of India*.

नमो भगवते वासुदेवाय

K. B. LALL, Jt. Secy.

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REPORT ON THE CONTINUANCE OF PROTECTION TO THE ZIP FASTENER INDUSTRY.

1. The claim of the zip fastener industry to protection or assistance was first referred to the Tariff Board for investigation by the Government of India in the Ministry of Commerce and Industry by their Resolution No. 1-T/A (42)/49, dated 30th May, 1951. The Board, after carrying out the necessary investigation, submitted a Report on 23rd October, 1951, in which it recommended grant of protection to the industry for a period of three years by converting the then existing revenue duty of 31½ per cent. *ad valorem* into a protective duty at the same rate. This recommendation was accepted by Government and given effect to by the Indian Tariff (Second Amendment) Act, 1952. In November, 1952, Messrs. Link Industries, Madras applied to the Tariff Commission for an enhancement of the protective duty on the ground that zip fasteners of Japanese "Nobility" brand were being imported into India at an average c.i.f. price of 7 as. 2 p. per foot which was lower than the c.i.f. price adopted by the Board in determining the quantum of protection at the 1951 inquiry. The Commission inquired into the matter and came to the conclusion that there was not sufficient evidence to justify an increase in the duty and that the whole question should be examined at the next inquiry into this industry. Under the Finance Act, 1954, the import duty on zip fasteners was enhanced to 66 2/3 per cent. *ad valorem* as a revenue measure. The protection granted to this industry is due to expire on 31st December, 1954 and the present inquiry was, therefore, undertaken under sections 11 (e) and 13 of the Tariff Commission Act, 1951, under which the Commission has been empowered to investigate into, and report on, any further action needed in connection with the protection granted to an industry, with a view to its increase, decrease, modification or abolition according to the circumstances of the case.

2. On 1st April, 1954 the Commission issued special questionnaires to the producers, importers and consumers of zip fasteners. On 22nd April, 1954 a press note was issued inviting all persons and associations interested in this industry to obtain copies of the relevant questionnaires from the office of the Commission and to submit replies thereto. The Ministry of Commerce and Industry, Government of India were requested to furnish a memorandum on the action taken by Government to implement the various recommendations made by the Tariff Board in its 1951 Report. A memorandum on the various points arising out of this inquiry was obtained from the Development Wing, Ministry of Commerce and Industry. The Directors of Industries with the State Governments of Bombay and Madras were requested to furnish information with regard to the present position of the industry in their respective States. Information regarding the c.i.f. prices and landed costs of zip fasteners was obtained from the Collectors of Customs, Bombay, Calcutta and Madras. The High Commission for India in the United Kingdom and the Indian Embassy, Tokyo were also addressed for information with regard to the f.o.b. and c.i.f. prices of zip fasteners exported to India from these countries. A list of those to whom questionnaires were addressed

and from whom replies or memoranda were received is given in Appendix I. Shri C. Ramasubban and Shri B. N. Adarkar, Members, visited the factory of Link Industries, Madras on 1st and 16th July, 1954 respectively. Shri B. N. Adarkar, Shri B. N. Das Gupta and Shri C. Ramasubban, Members of the panel which heard the case visited the factory of Home Industries Corporation, Bombay on 19th July, 1954. Shri A. K. Gopalan, Assistant Cost Accounts Officer carried out a cost investigation at the factory of Link Industries from 18th to 22nd June, 1954 and submitted a report to the Commission. A public inquiry into this industry was held at the Commission's office on 20th July, 1954. A list of those who attended the inquiry is given in Appendix II.

3. In addition to the grant of tariff protection to the zip fastener industry, the Tariff Board had recommended various other measures of assistance which were summarised in the Ministry of Commerce Resolution No. 63(I)-T.B./51, dated 16th February, 1952. The extent to which these recommendations have been implemented is briefly indicated below:—

As recommended by the Tariff Board, Link Industries were given necessary assistance in obtaining their requirements of brass strips. Assistance was also given to Jayadeo Factory, Sangli in obtaining their requirements of cotton yarn. Since no special arrangements were made to procure brass strips for the Telephone Company at Bangalore, the question of giving the indigenous industry the benefit of such arrangements did not arise. The Board had recommended that Link Industries should be allowed to export their brass scrap on condition that a specific proportion of it was re-imported in the form of brass strips. We understand, however, that the firm itself has given up the idea of exporting brass scrap. With regard to the Board's recommendation that Government should consider the possibility of waiving at least a part of the import duty on brass strips required by the zip fastener industry, we understand that Government did not consider it necessary to grant this concession because the industry had already received a substantial measure of assistance as a result of the enhancement of the protective duty on zip fasteners from 31½ per cent. *ad valorem* to 66 2/3 per cent. *ad valorem* under the Finance Act of 1954. Imports of zip fasteners have been subject to restrictions throughout the period of protection as may be seen from the details given in paragraph 8(b) below. As recommended by the Board, Link Industries have got their products tested by the Government Test House, Alipore and the test reports issued to the firm have been referred to later in this Report. The question of formulating standard specifications for indigenous zip fasteners was considered by the Indian Standards Institution which, however, has decided not to pursue the matter in view of the cost involved. The Institution has, however, suggested some principles for the guidance of the industry. Link Industries have been submitting to the Commission monthly data regarding production, sales, stocks and prices.

4. At the time of the last inquiry, Link Industries, Madras were the only unit in India engaged in the production of zip fasteners. A new unit, viz., Home Industries Corporation, Bombay has since come into production. In addition, Messrs. Kian Gwan Co. (Calcutta) Ltd.

Present position of the industry.

have been granted permission to set up a plant in Calcutta. The position in regard to these three units is briefly described below:—

(a) *Link Industries, Madras.*—Link Industries are a public limited company registered in Madras in 1946. The firm has an authorised capital of Rs. 50 lakhs, issued and subscribed capital of Rs. 10 lakhs and a paid-up capital of Rs. 7,57,388. During 1953-54, an amount of Rs. 2,42,412 of the subscribed capital was called up, but has not yet been received. The firm has taken a loan of Rs. 5 lakhs from the Industrial Finance Corporation and borrowings from other sources amounted to over Rs. 2 lakhs on 31st March, 1954. The total original value of the fixed assets is Rs. 10,33,766, but the original value of the block engaged in the production of zip fasteners is estimated at Rs. 6,07,565. In 1952-53, the previous Managing Agents, Messrs. Factors Ltd. resigned their office and pending the approval of Government to the appointment of Messrs. Industrial Traders as the new Managing Agents, the firm is being managed by a Managing Director. Throughout its existence, the firm has been running at a heavy loss, the total loss upto 31st March, 1954 as disclosed in the provisional Balance Sheet for 1953-54 being Rs. 6½ lakhs. In his discussions with the Commission, the Managing Director explained the losses as due to the following causes: (1) the losses in actual working owing to intense foreign competition and the expenditure incurred by the management to improve the quality of the product, (2) increased provision for depreciation considered necessary by the present management to show the real value of the fixed assets, (3) provision for interest on borrowings, (4) the fact that the closing stocks shown in the Balance Sheet for 1951-52 were over-valued and this anomaly had to be rectified in the Balance Sheet for 1952-53, and (5) the writing off of accumulated bad debts in 1952-53. The company is in great financial difficulties and the Managing Director informed us that he would, in due course, submit to the shareholders proposals for a reconstruction of the company's capital structure.

At the previous inquiry, the company declared its annual rated capacity to be 9 lakhs feet on a single shift basis. The company now states that it has a rated capacity of only 5,40,000 feet on a single shift basis. We understand from the company that this revised estimate of capacity has been made after a technical assessment of the output obtainable from the automations, the capacity of which constitutes the chief limiting factor, and the minimum rejections and loss of time on the basis of actual experience. The actual production of zip fasteners by this company since 1949 is given below:—

	<i>Feet</i>
1949	54,999
1950	61,788
1951	120,605
1952	28,022
1953	159,081
1954 (Jan.-June)	93,747

On the basis of the present off-take of their products, Link Industries expect to be able to produce 300,000 ft. per annum during the next two years. The average number of workers employed in this factory in 1953 was 41.

(b) *Home Industries Corporation, Bombay.*—This is a partnership firm registered in Bombay. The factory is located in a rented building and its annual rated capacity as declared by the firm is 4 lakhs feet on single shift basis. The plant has been imported from Japan. The total capital invested in plant and machinery has been stated to be Rs. 45,000. The firm commenced production on 15th April, 1954 and its production from that date to 20th June, 1954 amounted to 2,000 ft. The firm expects to be able to increase its output to an annual rate of 120,000 ft. by September, 1954. The number of workers employed in this factory at present is 10.

(c) *Kian Gwan Co. (Calcutta), Ltd., Calcutta.*—This is a private limited company with a capital of Rs. 5 lakhs, of which all but Rs. 3,600 is held by Messrs. Kian Gwan, Singapore. The Singapore firm is mainly engaged in the export of sugar and certain primary commodities, but its subsidiary, Kian Gwan, Amsterdam, hold investments in certain zip fastener factories in Holland. Kian Gwan Co. (Calcutta) Ltd. propose to import their machinery from Germany in three instalments; the first instalment is expected to arrive in December, 1954 or January, 1955 and the second and the third instalments are expected at intervals of 10 to 11 months later. The company has stated that it will have an annual capacity, on single shift basis, of 18 lakhs feet of zip fasteners in the first stage, 35 lakhs feet in the second stage and 45 lakhs feet when the entire plant is completed. Orders for the first two instalments of machinery have already been placed. The construction of the factory has commenced at Dum Dum, Calcutta. The capital investment required for the first and second instalments of machinery is estimated at Rs. 2 lakhs and Rs. 1.40 lakhs respectively. The plant will include machinery (a) for colouring the metal, (b) for making 'open end' zippers, (c) for tape making, (d) for rolling round wire into flat wire and (e) for testing resistance to spreading of the locked chain and adhesion of 'cramps' to the tape. One of its technicians has already received training in a German factory and the company proposes to send a batch of workers for technical training in Holland and Germany. The company expects to start production early next year. The representative of the company who attended the public inquiry stated that in due course the company will take up the production of the Heavy type of zip fasteners also and that it hopes to be able to export a part of its output to other countries through its parent firm in Singapore.

5. At the previous inquiry held in 1951, the domestic demand for zip fasteners was estimated at 7.5 lakhs feet per annum for the next three years. We have attempted a fresh estimate of demand on the basis of the data now available regarding production and imports. Domestic production of zip fasteners in 1952 and 1953 amounted to 93,551 feet per annum on an average. During the period from February 1952 to January 1954 the average value of imports of zip fasteners was Rs. 2,09,473 per annum made up of Rs. 1,31,584 from Japan and Rs. 77,889 from U.K. and other countries. It was agreed at the public inquiry that the average c.i.f. value of Japanese zip fasteners during the above period might be taken at 5 annas per foot and that of zip fasteners from U.K. and other countries at 14 as. 3 pies per foot. On this basis, the average quantity of imports from Japan is estimated at about 421,000 feet and that from U.K. and other countries at 88,000 feet per

annum. The sum total of production and imports during the last two years, thus, comes to an average of about 602,550 feet. In estimating the actual demand for zip fasteners, however, allowance has to be made for two factors. In the first place, we understand from certain importing firms that some imports of zip fasteners from non-Japanese sources had taken place during the above period at prices lower than those adopted by us in estimating the quantity of imports from such sources. Secondly, until September, 1953, metallic parts of zip fasteners (including cramps already mounted on tapes which could be easily assembled into finished zip fasteners without the aid of machines) were allowed to be imported as "hardware" and some of these imports are probably not included in the import statistics referred to above. Allowing for these two factors, we estimate the current demand for zip fasteners at 7.5 lakh feet per annum, i.e., at the same figure as was adopted at the last inquiry. The potential demand is likely to be much higher. We understand that certain foreign brands of zip fasteners are at present selling at rates which allow a substantial margin to the importers, which indicates that there is probably a shortage of good quality zip fasteners in the country. We consider that if adequate supplies of good quality zip fasteners become available to consumers at reasonable prices, the domestic demand may go up to one million feet during the next three years.

6. The principal materials required by the industry are brass strips, cotton tapes and various electro-plating and polishing materials. Brass strips of the requisite specifications are not yet available in the country. Link Industries and Home Industries Corporation import their requirements from the United Kingdom and Japan respectively. Prices of brass strips imported from the two sources are approximately the same, being in the neighbourhood of Rs. 3 per lb. Kian Gwan Co. (Calcutta) also propose to import brass strips from the United Kingdom in their first stage of manufacture, but in the second stage, they intend to roll such strips in their own works from imported wire. Link Industries have informed us that they have received an offer from Italy at a lower rate than that quoted by the U.K. suppliers, but that no orders have been placed, as the quality has not yet been tested. At the public inquiry, the representative of Devi Dayal Metal Industries, Bombay, stated that his firm would investigate the possibility of producing brass strips to the specifications required by the zip fastener industry. Jayant Metal Works, Bombay have already supplied certain quantities to Home Industries Corporation, but the supplies have not been upto the requisite standard. In addition to satisfying the requirements in regard to gauge and hardness, it is necessary that the brass strips should be available in coils of a minimum length of 100 ft. and should be absolutely straight and not zig-zag. Brass strips are subject to an import duty of 31½ per cent. *ad valorem*. The industry has asked for a refund of the duty on brass strips imported by it for manufacture of zip fasteners, on the ground that 60 to 65 per cent. of this material becomes scrap in the process of manufacture and the import duty, therefore, constitutes a heavy burden on the industry. From the evidence received by us, we feel that it should not be difficult to develop the manufacture of brass strips in the country to the specifications required by the zip fastener industry and that the incentive afforded by the existing import duty on brass strips should not be taken away. We understand from the

Telephone Company, Bangalore that they are able to obtain brass strips conforming to their specifications (which are similar to those required for zip fasteners) from indigenous sources. We are, therefore, unable to support the industry's request for a refund of the import duty on brass strips. As regards cotton tapes, Link Industries have found the tapes produced by the Jayadeo factory, Sangli, to be unsuitable and have, therefore, been importing their requirements from Switzerland and Japan since June, 1953. Production of tapes with woven beading is particularly difficult and requires a special type of loom. Link Industries, like the manufacturers in Germany and other Continental countries, use tapes with a woven edge. We understand, however, that the manufacturers in certain other countries use tapes in which the edge is formed by sewing a cord on it. The tapes used by Home Industries Corporation are of this type. They produce them from plain tapes purchased from Kohinoor Rope and Tape Works, Bombay. Kian Gwan also propose to make their own tapes. Indigenous tapes, besides being inferior to imported tapes, are also more expensive, the current price of indigenous tapes being Rs. 13-12-0 to Rs. 14-8-0 per 100 yards as against Rs. 9-10-10 per 100 yards of imported tapes. The manufacturers are not experiencing any difficulty with regard to any of the other materials required for the production of zip fasteners. Link Industries have decided to make the bottom parts of zip fasteners from brass strips in future and hence aluminium alloy strips hitherto used for this purpose will no longer be required. They have also discontinued the production of die-cast sliders previously made from a zinc alloy called Zamak or Mazak, as it has been found that sliders made by this process are inferior in quality to those pressed from brass or German silver. Link Industries have recently been importing their requirements of pressed sliders from Japan for their 'Baby' type zip fasteners. They propose to import sliders for their 'Normal' type also. We understand from them that they have already prepared the necessary dies for pressing sliders for the Baby type. Home Industries Corporation make their own pressed sliders from brass sheets, while Kian Gwan propose to make pressed sliders from brass or German silver. None of the manufacturers proposes to use springs in future, as the sliders themselves now contain a locking device which makes the use of springs unnecessary.

7. (a) In their memorandum to the Commission, Link Industries have claimed that they have taken steps to remove the various defects noticed in their zip fasteners at the time of the last inquiry. They have stated that the defects were mostly due to the quality of the indigenous cotton tape and of die-cast sliders which were being used until recently. They are now using imported cotton tape and pressed sliders for their Baby type fasteners and this has resulted in considerable improvement in the quality of their product. Link Industries claim that their Baby type zip fasteners are now equal in quality to Japanese zip fasteners of the same type. We are informed that during the last few months they have sold large quantities of Baby zip fasteners under their new trade mark 'Duro' and that no complaints have so far been received by them from any of the consumers. The evidence received by us, however, shows that most of the consumers are still extremely critical of the quality of the indigenous zip fasteners. The specific defects pointed out by them are as follows:—
- Quality of the indigenous product.**

(1) that the cotton tape used is thin, weak and loosely woven and cannot hold the metal teeth perfectly, (2) that the teeth lack uniform finish, are not precision-sized and are loosely fitted and easily displaceable, (3) that the sliders being die-cast, their inner surface is uneven and catchy and (4) that the buffers at the closed end are not made of brass. This criticism is partly based on the experience of consumers with indigenous zip fasteners purchased by them before Link Industries began to use imported sliders and tape. Link Industries have now discontinued the use of aluminium alloy strips for the manufacture of the bottom parts and this should remove the complaint referred to in (4) above. Some of the defects pointed out above, however, still exist in the Normal type of zip fasteners produced by Link Industries. The use of imported parts also involves the risk of a lack of correlation between such parts and the other parts produced by the firm. At the public inquiry, the representative of Link Industries admitted that the Normal zip fasteners produced by them were still inferior to imported fasteners of the same type; he, however, produced samples of the Baby type manufactured by his firm and the representatives of the leather industry agreed that these showed an improvement as compared with fasteners sold by the firm in 1951. Link Industries had recently sent samples of their improved type of Baby zip fasteners, together with sample of Japanese zip fasteners, to the Alipore Test House. The Test House, however, found the samples of the indigenous product to be much inferior to the imported product. The Test Report (dated 9th July 1954) reads as follows:—

“In the load test, the load required to open and close the indigenous zip fasteners are fairly uniform (269 and 295 gms.) whereas those stated to be of Japanese make vary widely, the load required to open being 408 gms. against 179 gms. to close.

In the tensile test of joint, the joints of the indigenous samples opened out at a load of 78 lbs. whereas the joints of the Japanese samples did not unlock at a load of 82 lbs. when the tape tore from the line of contact of the links on one side indicating the joints of the latter samples to be stronger than those of the former.

In the endurance test, the joints of the indigenous made samples became unserviceable after 213 and 133 strokes whereas the Japanese samples withstood 5,000 strokes without showing any visible deformation.

The results of salt spray test indicate that the quality of plating of the indigenous samples is satisfactory.

In respect of the examination made and details of construction, the two samples are generally similar”.

From the evidence before us, we have come to the conclusion that although Link Industries have effected some improvement in the quality of their Baby type zip fasteners, they have not yet been able to maintain the quality consistently. Home Industries Corporation have so far sold only a small quantity of zip fasteners and no

evidence was, therefore, available from the consumers about the quality of their product. They have not yet sent their zip fasteners to the Alipore Test House for testing.

(b) Link Industries are now selling their products under a new trade mark "Duro", since the original trade mark "Link" had failed to establish itself in the market. The company has informed us that it is not marking its products as "Made in India" for the time being, because, if this were done, its sales would suffer. We do not consider it fair to the consumer not to disclose the origin of the product. Moreover, the consumer may not be interested in communicating his views about the quality of the product to the manufacturer unless he knows that the product is of indigenous origin. The company has claimed that it has received no complaints from consumers about the Baby type zips sold by it under the new trade mark "Duro". The system of marketing adopted by the company is itself such that the company cannot receive any complaints directly from the consumers. Home Industries Corporation sell their products under the trade mark "Homco" which has been registered in Japan and Japanese zip fasteners bearing this mark were previously imported and sold by the firm. Home Industries Corporation also do not mark their products as "Made in India", but have agreed to do so in future. We recommend that the manufacturers should take immediate steps to mark their products as "Made in India".

8. (a) **Imports.**—In accordance with the recommendation made by the Tariff Board, imports of the protected categories of zip fasteners are being recorded separately since February, 1952 by the Director-General of Commercial Intelligence and Statistics. The following table gives the import statistics as supplied by the D.G.C.I. & S.:—

Origin of import	1952 (Feb.-March)		1952-53		1953-54 (April-January)	
	Qty.	Value	Qty.	Value	Qty.	Value
	Gross	Rs.	Gross	Rs.	Gross	Rs.
United Kingdom	307	18,847	435	43,425	1,195	76,577
Japan	1,191	39,498	4,457	98,868	9,188	124,801
Other countries	349	15,547	..	883	5	499
TOTAL	1,847	73,892	4,892	143,176	10,388	201,877

(b) **Import control policy.**—During January-June, 1952 imports of zip fasteners were allowed on the basis of imports during January-June, 1951 if the licence was claimed on that basis, but if the licence was claimed on the basis of fresh documents, 20 per cent. of one half of the best year's imports was allowed. The import quota for established importers continued to be 20 per cent. of one half of the best year's imports during the next half year, namely July-December, 1952. The quota was reduced in January-June, 1953, but was again enhanced to 20 per cent. during the next half year. Metallic parts of zip fasteners could be imported against this quota during

July-December, 1953. Established importers were able to obtain licences on the basis of their licences for January-June, 1953. During January-June, 1954 the quota was reduced to 20 per cent. in the first six months but was subsequently raised to 30 per cent. from April, 1954. The quota was available for imports of metallic parts of zip fasteners also. In the current licensing period, July-December, 1954, the quota allowed to established importers for zip fasteners or their metallic parts has been maintained at 30 per cent. of one half of their best year's imports. Actual users are also eligible to apply for licences.

9. Zip fasteners are assessed to duty under item 71(13) of the **Existing rates of duty.** First Schedule to the Indian Customs Tariff. The relevant extract from the Indian Customs Tariff (38th Issue) is given below:—

Item No.	Name of Article	Nature of duty	Standard rates of duty	Preferential rate of duty if the article is the produce or manufacture of			Duration of protective rate of duty
				The Uni- King- dom	A Bri- tish Colo- ny	Burma	
71(13)	Zip fasteners—						
	(a) With metal teeth other than those specified in category (b).*	Protective	31 1/4 per cent. <i>ad valorem</i>.†	..	..	..	December 31st, 1954
	(b) With metal teeth having not more than 9 teeth per inch on either side and in which the total width of the metal portion in the closed state is not less than 8 m.m.	Revenue	31 1/4 per cent. <i>ad valorem</i>.†	..	..	..
	(c) Not otherwise specified.	Revenue	31 1/4 per cent. <i>ad valorem</i>.†	..	..	..

* Under Government of India, Ministry of Finance (Revenue Division), Notification No. 13-Customs, dated the 28th February, 1953, Zip fasteners with metal teeth, falling under this sub-item are exempt from the payment of the additional duty of Customs leviable thereon under any law for the time being in force in India.

† Under the Finance Act, 1954 the import duty on all articles assessable under Item 71 (13) has been enhanced to 66 2/3 per cent *ad valorem*.

10. (a) The Assistant Cost Accounts Officer has examined the cost of production of zip fasteners produced by Link Industries, Madras during 1953-54 and has framed estimates of future costs. The cost data collected by the Assistant Cost Accounts Officer was discussed with the Managing Director of the company. The company has suspended the **Commission's estimates of the fair ex-works prices of indigenous zip fasteners.**

manufacture of aluminium reflectors, ash trays etc. which were being manufactured previously and is now exclusively engaged in the production of zip fasteners. As stated earlier, the value of the block engaged in the production of zip fasteners is estimated at about Rs. 6½ lakhs. During 1953-54, the company produced 158,785 feet of zip fasteners, made up of 86,375 feet of the Normal type and 72,410 feet of the Baby type, as against its rated capacity of 540,000 feet per shift of 8 hours. Having regard to the probable offtake, the company expects to be able to produce 150,000 feet of the Normal type and 150,000 feet of the Baby type in the immediate future. The cost estimates are based on these levels of output.

(b) In calculating the cost of materials, we have allowed wastage of brass strips at 62 per cent. based on the actual ratio of scrap produced to the total quantity of brass strips used in 1953-54, and have taken credit for brass scrap at the rate currently realisable in Madras. During 1953-54, there was additional wastage as a result of the cramps getting loose after they were mounted on the tapes. Such cramps are classed as "sewage cramps" and are rejected. Since the company now claims to have reduced this wastage to the minimum, no allowance has been made for such wastage in calculating the future costs. The cost of tapes and sliders has been calculated at the actual rates paid for imported supplies. In 1953-54, the company was using aluminium alloy strips for manufacture of the bottom parts. These are now made of brass and this has been taken into account in calculating the future costs. The expenses on account of repairs and maintenance have been suitably reduced in the estimates of future costs, to take account of the fact that the expenses under this head for 1953-54 included the cost of crucibles for the die casting machine which will not be used in future, since the company now uses pressed sliders in place of the die cast sliders used previously. Depreciation has been calculated at Income Tax rates, but in view of the smallness of output in 1953-54, only half the amount of depreciation so calculated has been included in the estimates for 1953-54 and the full amount in the estimates for the future. If interest on working capital were allowed at 4½ per cent. on four months' cost of production and return at 10 per cent. on the gross block, the total allowance under these two heads would amount to nearly 33 per cent. of the works cost. This is obviously excessive. In his discussions with us, the Managing Director has admitted that the company's plant is at present unbalanced. While the rated capacity of 540,000 feet declared by the company is based on the capacity of automatons, the capacity of the other machines is stated to be as high as 2 million feet. The Managing Director has also admitted that the plant is heavily over-capitalised, both in relation to the actual output and the probable output in the near future. We have, therefore, considered it reasonable to allow a margin of 10 per cent. of the works costs to cover both interest and return.

(c) The details of the cost data are given in the Cost Report which is being forwarded to Government separately as a confidential enclosure to this Report. Our estimates of the fair ex-works prices of the Normal and Baby types for 1953-54 and for the future.

however, are given below:—

	Rs. per foot.			
	1953-54		Future	
	Normal	Baby	Normal	Baby
(i) Material cost	0·317	0·309	0·397	0·336
(ii) Conversion cost	0·457	0·456	0·284	0·284
(iii) Total of (i) and (ii)	0·774	0·765	0·681	0·620
(iv) Interest on working capital and return on block @ 10 % of (iii)	0·077	0·076	0·068	0·062
(v) Fair ex-works price	0·851	0·841	0·749	0·682
	i. e. Re. 0-13-7	Re. 0-13-6	Re. 0-12-0	Re. 0-10-11

11. A statement in Appendix III gives the data received from the C.i.f. prices and landed costs. India in London, the Embassy of India in Tokyo and certain importing firms regarding the c.i.f. or f.o.b. prices, together with other particulars, of imported zip fasteners. Since imports from Japan have accounted for nearly 90 per cent. of the total imports of zip fasteners during the last two years, it was agreed at the public inquiry that the c.i.f. price of 1sh. 11d. per dozen of 5" "Sakura" brand zip fasteners from Japan, as given in the circular dated 14th July, 1954 from Messrs. Bishambar Dass and Sons, Delhi should be adopted for the purpose of comparison with the fair ex-works price of indigenous zip fasteners. On the basis of the above c.i.f. price, the landed cost works out to 6 as. 11 p. per ft. with duty and 4 as. 2 p. per ft. without duty, as shown below:—

	Per foot
	Rs. As. P.
C.i.f. price of 1 sh. 11 d. per doz. of 5" Sakura zip fastener	0 4 1
Customs duty @ 66 2/3%	0 2 9
Clearing charges	0 0 1
Landed cost with duty	0 6 11
Landed cost without duty	0 4 2

12. We understand that Link Industries do not propose to resume their sales of the Normal type of zip fasteners until they have been able to import suitable pressed sliders for this type. The quality of the Normal type hitherto produced by them is far below the requisite standard. We, therefore, propose to take the fair ex-works price of their Baby type zip fasteners only for the purpose of comparison with the landed cost, ex-duty, of imported zip fasteners. The comparison is given in the following statement:—

	Per foot
	Rs. As. P.
(i) C. i. f. price of 5" 'Sakura' zip fasteners	0 4 1
(ii) Landed cost ex-duty	0 4 2
(iii) Fair ex-works price of indigenous 'Duro' zip fasteners of Baby type	0 10 11
(iv) Difference between (iii) and (ii)	0 6 9
(v) Above difference as a percentage of the c.i.f. price	165·305
(vi) Existing rate of duty	66·2/3%

13. It will be seen from the above comparison that a duty of 165 per cent. *ad valorem* is required to equate the landed cost of Japanese zip fasteners of the Baby type with the fair ex-works price of the corresponding type of the indigenous product. The existing rate of duty is 66 2/3 per cent. *ad valorem*. We have carefully considered whether an increase in the rate of protective duty, to the high level indicated by the above comparison will be justified by the circumstances of this case. The cost data given above are based on the assumption that Link Industries will be able to produce at least 150,000 ft. of each of the two types of zip fasteners at present produced by them. They have, however, not yet been able to produce good quality zip fasteners of the Normal type and their cost of production will increase further, if they fail to attain the target of 150,000 ft. for this type. In the case of the Baby type also, the evidence received by us shows that while they have effected some improvements, they are not yet able to maintain a consistent standard of quality. Link Industries are at present dependent on imports for two of the vital components of a zip fastener, namely, the *ape* and the slider. They have yet to instal the necessary equipment for the production of these components. Their technical personnel also needs to be strengthened and a drawing section needs to be added, if their tool room is to function effectively and the extra expenditure involved in importing high cost tools and dies thereby avoided. The management has called up the unpaid portion of the subscribed capital, and until that is received, Link Industries will not be able to make the additional investment necessary to enable them to function on sound business lines. For various reasons, the company has failed to make effective use of the protection granted to the industry. As regards the other two units, production of zip fasteners by Home Industries Corporation is still in an experimental stage and no evidence will be available for some time about their cost of production or the quality of their product. Kian Gwan Co. (Calcutta) Ltd. have not yet started production. Continuance of protection to this industry would involve the raising of the import duty to 165 per cent., but in the circumstances described above, it would not be reasonable to impose this additional burden on the consumer. Although, on the facts before us, we are unable to recommend continuance of protection to this industry, we are not pessimistic about the possibility of developing this industry in the country. The management of Link Industries have assured us that they are doing their very best to put the affairs of the company on a sound footing and we hope that they will succeed in their efforts. The two new units, one of which is a subsidiary of a foreign firm and has already committed itself to a substantial investment, are confident of being able to produce zip fasteners of good quality and also to attain a competitive position in a reasonably short period. We, therefore, recommend that protection to the zip fastener industry should not be continued beyond 31st December, 1954, but that the position may be reviewed, upon application by the industry, when production of zip fasteners is established on a more satisfactory basis. The import duty on zip fasteners has only recently been enhanced to the present level of 66 2/3 per cent. *ad valorem* for revenue reasons. So long as the duty remains at this level, it will give some breathing time to Link Industries to carry out the necessary reorganisation and will also be of assistance to the two new units at the initial stage of their development.

14. Our conclusions and recommendations may be summarised
Summary of conclusions and recommendations.

- (1) The domestic demand for zip fasteners is estimated at 750,000 feet per annum (Paragraph 5).
- (2) Link Industries have an annual capacity, on single shift basis, of 540,000 feet and Home Industries Corporation, 400,000 feet, while Kian Gwan Co. (Calcutta) Ltd. expect to have an annual capacity, on single shift basis of 1,800,000 feet in 1955 (Paragraph 4).
- (3) Although Link Industries have effected some improvement in the quality of their Baby type zip fasteners, they have not yet been able to maintain the quality consistently. The Normal type zip fasteners produced by them are not of satisfactory quality. [Paragraph 7 (a)].
- (4) The manufacturers should take immediate steps to mark their products as "Made in India". [Paragraph 7 (b)].
- (5) Protection to this industry should not be continued beyond 31st December, 1954, but the position may be reviewed, upon application by the industry, when production of zip fasteners is established on a more satisfactory basis. (Paragraph 13).

15. We wish to thank the representatives of producers, consumers and importers of zip fasteners and the various Government departments concerned for their co-operation in carrying out this inquiry. Our thanks are also due to Shri S. Kumar, Assistant Development Officer, Development Wing, Ministry of Commerce and Industry for his assistance in connection with this investigation.

B. N. ADARKAR, *Member.*

B. N. DAS GUPTA, *Member.*

C. RAMASUBBAN, *Member.*

D. K. MALHOTRA, *Secretary.*

BOMBAY;

Dated the 28th August, 1954.

APPENDIX I

[Vide paragraph 2]

List of persons or bodies to whom the Commission's questionnaires or letters were issued and from whom replies or memoranda were received.

* Indicates those who replied or sent memoranda.

** Indicates those who were not interested.

A. PRODUCERS:

- *1. M/s. Link Industries Ltd., Express Estates, Mount Road, Madras-2.
- *2. Home Industries Corporation, 64, Commercial Chambers, Masjid Bunder Road, Bombay-3.
- *3. M/s. Kian Gwan Co., (Calcutta) Ltd., 5/B, Clive Ghat Street, Calcutta.

B. IMPORTERS:

- *1. L. R. Trading Company, Navasari Chambers, Outram Road, Post Box No. 72, Fort, Bombay.
- *2. The Central Agency Ltd., 81, Palton Road, Fort, Bombay.
- **3. Mowla Buksh, D. 81-82, Municipal Market, Calcutta.
- **4. Jiwatram Kundanmal Sundry Depot, Kishore Bldg., 1st Floor, Kalbadevi Road, Bombay-1.
- 5. Kishenchand Chellaram, Dhobi Talao, P.B. No. 2145, Bombay-2.
- 6. Amritlal and Co., 56-57, Mirza Street, Parsi Gallay, Bombay.
- 7. Kanji Shivji Parekh, 51, Mangaldas Road, Bombay.
- 8. Universal Trading Co., 79, Princess Street, Bombay-2.
- 9. Lalvani Bros., Taj Building, Fort, Bombay.
- 10. Bombay Leather Goods Depots, Chhipi Lane, Fort, Bombay.
- 11. Damodar Khetsi, Military Square Lane, Fort, Bombay.
- 12. T. M. Thakar, Vir Nariman Road, Bombay.
- *13. A. Murcott and Co. (Madras), Singer Street, G. T. Madras.
- *14. G. Atherton and Co., 4, Mission Row, Calcutta.
- 15. P. M. Packi and Co., 79, Bentinck Street, Calcutta.
- 16. K. N. Lawyer, 33, Canning Street, Calcutta.
- 17. The Saifee Trading Co., No. 17, 1st Cooper Street, Bombay-3.
- 18. Shah Chunilal Lavji & Co., 65, Nagdevi Street, Bombay.

C. CONSUMERS:

- *1. L. R. Trading Co., Navasari Chambers, Outram Road, Post Box No. 72, Bombay.
- 2. Bharat Overseas Agency, 463, Crawford Market, Bombay.
- 3. Ishvardas Jadavaji Sangvi, 77, New Charni Road, 3rd floor, Bombay.

- *4. Gold Filled Leather Works, 157-161, Princess Street, Post Box No. 2181, Bombay.
- *5. Onward Trading Co., 184, Rasappa Chetty Street, Madras-3.
- *6. The Chrome Leather Co. Ltd., Chrompet P.O., Madras.
- **7. Jupiter Allied Industries, P.O. Box No. 6, Tirupur, South India.
- **8. Hibzur Trading Corporation, Begambur, Dindigal, South India.
9. Kohinoor Leather Production, Ilayangudi P.O., Ramanad District, South India.
- *10. Diwan Plastic Industries, 1039, Pan Mandi, Sadar Bazar, New Delhi.
11. M. V. Krishnaswami Mudaliar & Son, No. 218, Devaraja Mudali Street, P. T. Madras.
12. Jai Hind Leather Products, 128, Broadway, Madras-1.
13. S. M. Sanaulla, 70, Canning Street, Calcutta.
- **14. Calcutta Carpet Store, 43, Park Street, Calcutta.
15. Aimador Brothers, 3, Chandney Chowk Street, Calcutta
16. Shyamsundar Bubna & Co., 119A, Harrison Road, Calcutta.
- *17. Abdul Halim, 157, Chandney Chowk Street, Calcutta.
- **18. Abu Baker & Sons, 28, Commercial Street, Bangalore-1.
- *19. K. M. Dharmojee Rao & Son, "The Model Button Shop", 37, Dickenson Road, Bangalore-1.
20. Kishan Singh Gurbachan Singh, Gandhi Market, Sadar Bazar, Delhi.
- *21. Leather Goods Maftrs' and Dealers' Association, 157, Princess Street, Bombay-2.
22. Meera Trading Corporation, Ilayangudi Post (Ramnad District), South India.
23. Modern Purse House, North Street, Ilayangudi P.O. (Ramnad District), South India.
24. Bombay Leather Stores, 24, Canning Street, Calcutta.
25. D. C. Addy and Co., 51/1A, Hidaram Banerjee Lane, Calcutta.
- *26. Ghawa Ram and Son, General Merchants, Patiala.
27. Birumal Roshanlal, General Merchants, Bazar Shah Nashin, Patiala.
28. Ideal Leather Works, 40, Chittaranjan Avenue, Calcutta-12.
29. Oriental Purse House, North Street, Ilayangudi P.O. (Ramnad Disrtict), South India.
30. Jankidas and Sons, Jullundur Cantonment, East Punjab.
- *31. The Mysore Chrome Tanning Co., Ltd., P.O. Box No. 28, Bangalore-2.
32. Goldwynn Leather Works, 25, Sitaram Building, Hornby Road, Bombay.
- **33. Standard Mills (Alld) Ltd., Hosiery Manufacturers, Allahabad.
- *34. United Cottage Industries, 2, Mirza Street, Bombay.
- **35. The Dayalbagh Leather Goods Factory Ltd., Dayalbagh, Agra.
- *36. Dharam Chand Benarsi Das, 469, Bartan Market, Sadar Bazar, Delhi.

37. The Durable Chrome Factory, Manufacturers of Leather Goods, 175 and 8, Broadway, Madras-1.

38. The Golden Trading Co., Manufacturers of Leather Goods, Y.M.C.A. Building, Esplanade, Madras-1.

*39. The North West Tannery Co., P. B. No. 14, Kanpur.

D. CENTRAL/STATE GOVERNMENT DEPARTMENTS:

*1. The Secretary to the Government of India, Ministry of Commerce and Industry, New Delhi.

*2. Development Officer, (Tools & Mech.), Ministry of Commerce and Industry, Development Wing—Tools Directorate, Block No. 6, Shahjahan Road, New Delhi.

*3. The Director of Industries, Government of Bombay, Bombay.

4. The Director of Industries, Government of Madras, Madras.

*5. Commercial and Industries Adviser to High Commissioner for India, "India House", Aldwych, London W.C. 2.

*6. Commercial Secretary to Embassy of India, Empire House, (Naigai Building), Marunouchi, Tokyo.

*7. The Collector of Customs, Bombay.

*8. The Collector of Customs, Calcutta.

*9. The Collector of Customs, Madras.



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APPENDIX II

[Vide paragraph 2]

List of persons who attended the public inquiry on 20th July 1954.

A. PRODUCERS:

- | | | |
|-----------------------------|--------------|---|
| 1. Shri A. M. Khaitan . . . | representing | Link Industries Ltd. (Madras) |
| 2. Shri Gambhir Doshi . . . | " | Home Industries Corporation,
Bombay. |
| 3. Shri K. P. Khoe . . . | " | Kian Gwan Co. (Calcutta) Ltd.,
Calcutta. |

B. SUPPLIERS OF RAW MATERIALS:

- | | | |
|-----------------------------|---|--|
| 4. Shri P. V. Joshi . . . | " | The Jayadeo Factory, Singli. |
| 5. Shri V. V. Chitnis . . . | " | Devidayal Metal Industries Ltd.
Bombay. |

IMPORTERS:

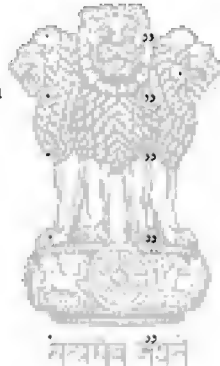
- | | | |
|-----------------------------|---|------------------------------------|
| 6. Mr. R. Bannatyne . . . | " | The Central Agency Ltd.
Bombay. |
| 7. Shri N. T. Shahani . . . | " | L. R. Trading Co., Bombay. |

CONSUMERS:

- | | | |
|-----------------------------------|---|--|
| 8. Mr. C. A. Ferens . . . | " | Leather Goods Mfrs. & Dealers,
Association, Bombay. |
| 9. Shri Chandrakant R. Shah . . . | " | Gold-Filled Leather Works,
Bombay. |
| 10. Shri Manohar Lal . . . | " | Diwan Plastic Industries, Delhi. |

E. OFFICIALS:

- | | | |
|----------------------------|---|--|
| 11. Shri S. Kumar . . . | " | Development Wing (Tools
Directorate), Ministry of Com-
merce and Industry, Govt. of
India, New Delhi. |
| 12. Shri J. N. Joshi . . . | " | Collector of Customs, Bombay. |
| 13. Shri V. V. Apte . . . | " | Director of Industries, Bombay. |



APPENDIX III

(Vide paragraph 11)

Statement showing the c.i.f. prices, customs duty, clearing charges and landed costs of imported zip fasteners.

Sl. No.	Source of information	Origin of import	Date of import	Type and Specification	C.i.f. price	Customs duty	Landing and clearing charges	Landed cost	Remarks
1	2	3	4	5	6	7	8	9	10
					Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
1	The Central Agency Ltd., Bombay.	U. K.	February, 1954	Size No. 3, Lightning fastener closed end Nickel silver finish.	Per foot. 0 14 3	(31 1/4%) 0 4 5	0 0 1	1 2 9	
		Do.	March 1954	Do.	0 14 3	(66 2/3%) 0 9 6	0 0 1	1 7 10	
		Japan*		'Sakura' Brass or Nickel plated C/E.					*Based on the quotations received by the Central Agency Ltd., Bombay in July, 1954.
				Width 5 M/M					
				Size	per Doz.				
				3"	1 3 2				
				4"	1 5 3				
				5"	1 8 1				
				6"	1 10 9				
				7"	1 13 6				
				8"	1 15 10				
				9"	2 2 6				
				10"	2 4 7				
2	M/s L. Trading Co., Bombay.	R. Japan**		'Sakura', Highly plated on brass, Pin lock, Nickel					**Based on a circular letter dated 14-7-54 received by them from M/s. Bishambar Dass & Sons Bombay.

APPENDIX III—*contd.*

1	2	3	4	5	6	7	8	9	10
				Automatic Lock or Non-lock :—	Rs. A. P.				
				Width 5 M/M					
				Size 4"	1 2 8				
				5"	1 4 5				
				6"	1 7 1				
3	The Collector of Customs, Bombay.	Japan	2-7-54	N. B. K. slide fasteners, Nickel plated, self lock.					Relate to M/s. Davidson and Co., New Delhi.
				Width 4 1/2 M/M/mesh	per Doz.				
				Size 4"	1 5 4				
				5"	1 8 0				
				6"	1 10 8				
				10"	2 4 6				
		Japan	19-5-54	(i) 'Sakura' brand, width of metal part 5 M/M width of tape not less than 12 M/M with automatic lock, nickel plates or brass and with bleached cotton tape.					Relate to Universal Trading Co., Bombay.
				Size 7"	per Doz.				
				8"	2 0 0				
				9"	2 2 0				
				10"	2 5 0				
				(ii) Same as above but width of metal part 6 M/M and width of tape 9/16"	2 7 0				
				Size 10"					
					3 0 0				
		Japan	19-7-54	'Sakura' brand, nickel with white tape, self-lock sliders					Relate to M/s. Khosana Stores, Jammu.
				Size 4"	per Doz.				
				7"	1 8 0				
				8"	1 13 0				
				9"	2 0 0				
				10"	2 3 0				
					2 6 0				

APPENDIX III—*contd.*

1	2	3	4	5	6	7	8	9	10
4	The Collector of Customs, Calcutta.	Japan	22-4-54	'Sakura' brand with metal teeth width 5 M/M	Size 4" 1 10 8 5" 1 13 4 6" 2 0 11				Relate to Seth Bros. and Co., Calcutta.
		Japan	23-4-54	'N. B. K.' brand with metal teeth width 5 M/M					Relates to Universal Trading Co., Calcutta.
5	The Collector of Customs, Madras.	U. K.	17-5-54	Size 4" Z. 315 No. 3 C/E Light weight	Size 4" 1 6 3 5" 0 15 2 6" 0 14 8 7" 0 14 2 8" 0 14 0 10" 0 13 3				Relate to the Central Agency Ltd. Madras.
6	Embassy of India in Japan.	Japan		(a) No. 1 (3 M.M) and No. 3 (4.5 M/M) closed bottom with Non, Pin or Automatic lock.					*Based on a letter dated 15-7-54 from the Embassy of India in Japan.
				(i) Closed bottom with Tab Pull					
				Size 4" 1 3 7 5" 1 5 4 6" 1 8 0 7" 1 10 8 8" 1 12 5 9" 1 15 1 10" 2 0 11					



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